

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - VII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Budgetary Comparison Schedules:	
General Fund	6
Notes to the Financial Statements	7 – 18
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	20
Combining Balance Sheet – School Service Fund	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	22
Combining Balance Sheet – Debt Retirement Fund	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Fund	24
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	25
Schedule 2 - General Fund - Schedule of Expenditures	26 – 29
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	30
Schedule 4 - Schedule of Bond Principal and Interest Requirements	31 – 33



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 9, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Genesee School District #6

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Genesee School District #6's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6 as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 9, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee School District #6's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Genesee School District #6's Administration's discussion and analysis of the financial results for the year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

District Wide Financial Statements: (Continued)

These two statements report the Genesee School District #6 net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$2,236,353	\$2,549,204
Non-Current Assets	<u>8,829,553</u>	<u>9,138,029</u>
<u>TOTAL ASSETS</u>	<u>\$11,065,906</u>	<u>\$11,687,233</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,115,397	\$2,017,688
Long-Term Liabilities	<u>10,878,201</u>	<u>10,377,094</u>
Total Liabilities	<u>\$12,993,598</u>	<u>\$12,394,782</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(2,441,518)	(1,453,898)
Restricted - Debt Service	63,761	54,122
Unrestricted	<u>450,065</u>	<u>692,227</u>
Total Net Assets	<u>(\$1,927,692)</u>	<u>(\$707,549)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$11,065,906</u>	<u>\$11,687,233</u>

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

RESULTS OF OPERATIONS:

For the years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$282,488	\$272,887
Property Taxes Levied for Debt Service	483,871	466,999
State of Michigan Unrestricted Foundation Aid	6,104,594	6,070,936
Other General Revenues	<u>84,917</u>	<u>72,626</u>
Total General Revenues	\$6,955,870	\$6,883,448
<u>Operating Grants:</u>		
Federal	698,210	703,768
State of Michigan	599,799	585,793
Other Operating Grants	<u>108,909</u>	<u>137,902</u>
Total Operating Grants	\$1,406,918	\$1,427,463
<u>Charges for Services:</u>		
Food Service	70,114	73,151
Athletics	32,212	23,591
Other Charges for Services	<u>27,167</u>	<u>33,562</u>
Total Charges for Services	<u>\$129,493</u>	<u>\$130,304</u>
Total Revenues	\$8,492,281	\$8,441,215
<u>EXPENSES</u>		
Instruction & Instructional Support	5,911,700	5,245,402
Support Services	2,412,634	2,407,852
Community Services	37,990	31,803
Food Service	315,478	315,273
Athletics	246,362	269,978
Interest on Long-Term Debt	545,342	361,683
Depreciation	<u>242,918</u>	<u>242,918</u>
Total Expenses	<u>\$9,712,424</u>	<u>\$8,874,909</u>
<u>(DECREASE) IN NET ASSETS</u>	(\$1,220,143)	(\$433,694)
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>(707,549)</u>	<u>(273,855)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$1,927,692)</u></u>	<u><u>(\$707,549)</u></u>

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets decreased by \$1,220,143 to a total of \$(1,927,692). The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$987,620 during the year due depreciation and principal payments on related debt exceeding the purchase of new capital assets. The deficit in investment of capital assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decreased by \$242,162 during the year and the restricted portion of the net assets increased by \$9,639. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$1,220,143. The total revenues increased by \$51,066 or ½% over last years amounts. The major change was an increase in state and property taxes. Expenditures increased by \$837,515 due to an increase in wages and fringe benefits.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$273,780 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$10,044 because of less state funding. Expenditures and other financing uses increased by \$22,486, primarily from wages and fringe benefit increases. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Genesee School District #6 foundation allowance was \$6,875 per student for the 2005-2006 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2005-2006 was 949 students. A decrease of 28 students from the prior year.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 year was \$280,824. An increase of \$7,937 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$7,537,440	\$7,593,548	\$7,609,887	0.74	0.22
Expenditures	7,962,411	7,916,403	7,883,667	0.58	0.41
<u>TOTAL</u>	<u>(\$424,971)</u>	<u>(\$322,855)</u>	<u>(\$273,780)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming year prior to July 1, the start of the year.

As a matter of practice, Genesee School District #6 amends its budget during the school year. The June, 2006 budget amendment was the final budget for the year. The variances between original and final budgets for revenue were due to an increase in state sources and a decrease in federal revenue. The difference between original and final budgets for expenditures is due to decreases in instruction, other financing sources, administration, transportation and support services. Student service, instructional support, operations and maintenance of plant and community services budgets all increased.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Balance</u>	<u>6-30-06</u>	<u>Payments</u>	<u>Balance</u>
Bonds Payable	\$7,744,046	\$0	\$260,610	\$7,483,436
Bus Note & Contracts Payable	91,711	0	21,807	69,904
MI School Bond Loan Fund	2,756,170	320,561	0	3,076,731
Retirement Incentive	0	741,000	100,000	641,000
Vacation & Sick Days Payable	67,585	0	15,041	52,544
<u>Total Long-Term Bond Obligations</u>	<u>\$10,659,512</u>	<u>\$1,061,561</u>	<u>\$397,458</u>	<u>\$11,323,615</u>

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

A. Debt, Principal Payments (Continued)

Significant debt transactions for the year besides the required principal and interest payments was the activity of the Michigan School Bond Loan Fund as follows:

B. Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2006 was \$3,076,731.

C. Capital Assets

The district's net investment in capital assets decreased by \$308,476 during the year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$15,477,794	\$0	\$0	\$15,477,794
Less: Accumulated Depreciation	(6,339,765)	(308,476)	0	(6,648,241)
<u>Net Investment Capital Outlay</u>	<u>\$9,138,029</u>	<u>(\$308,476)</u>	<u>\$0</u>	<u>\$8,829,553</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

* Foundation allowance

The estimated foundation amount for the 2006-2007 school year will increase by \$210 to \$7,085 per student. The district's September 2006 enrollment is expected to decline by about 20 students from the 2005-2006 enrollment. There are various economic and political factors that may affect the foundation allowance estimated before the final foundation allowance is known.

* Retirement rates

General fund expenses are expected to increase with the majority of this increase in retirement expenses. The Michigan Public School Employees retirement rate will increase to 17.74% of all wages and salaries next year. The rate for 2005-2006 was 16.34% The retirement rate is forecasted to increase over the next several years.

* The Genesee School District #6's 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$7,849,722
<u>EXPENDITURES</u>	<u>7,804,925</u>
<u>NET (UNDER) BUDGET</u>	<u>\$44,797</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Genesee School District #6.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,002,532
Due from Other Governmental Units	1,207,207
Inventory	2,492
Prepaid Expenses	24,122
Total Current Assets	<u>\$2,236,353</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	15,477,794
Less: Accumulated Depreciation	<u>(6,648,241)</u>
Total Noncurrent Assets	<u>\$8,829,553</u>
<u>TOTAL ASSETS</u>	\$11,065,906
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	174,763
State Aid Anticipation Note Payable	1,000,000
Accrued Expenses	56,132
Salaries Payable	439,088
Current Portion of Long-Term Obligations	445,414
Total Current Liabilities	<u>\$2,115,397</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>10,878,201</u>
<u>TOTAL LIABILITIES</u>	\$12,993,598
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(2,441,518)
Restricted for:	
Debt Service	63,761
Unrestricted	<u>450,065</u>
<u>TOTAL NET ASSETS</u>	<u><u>(\$1,927,692)</u></u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,911,700	\$0	\$1,025,211	(\$4,886,489)
Support Services	2,412,634	27,167	100,790	(2,284,677)
Community Services	37,990	0	27,848	(10,142)
Food Service	315,478	70,114	253,069	7,705
Athletics	246,362	32,212	0	(214,150)
Interest - Long-Term Obligations	545,342	0	0	(545,342)
Depreciation - Unallocated	242,918	0	0	(242,918)
<u>TOTALS</u>	<u>\$9,712,424</u>	<u>\$129,493</u>	<u>\$1,406,918</u>	<u>(\$8,176,013)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				766,359
State Aid				6,104,594
Grants and Contributions Not Restricted to				
Specific Programs				2,163
Investment Earnings				35,312
Miscellaneous				47,442
Total General Revenues and Transfers				<u>\$6,955,870</u>
Change in Net Assets				(\$1,220,143)
Net Assets - Beginning (Deficit)				<u>(707,549)</u>
<u>NET ASSETS - ENDING (DEFICIT)</u>				<u>(\$1,927,692)</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$874,660	\$127,872	\$1,002,532
Due from Other Funds	17,632	0	17,632
Due from Other Governmental Units	1,207,207	0	1,207,207
Inventory	0	2,492	2,492
Prepaid Expenses	24,122	0	24,122
<u>TOTAL ASSETS</u>	<u>\$2,123,621</u>	<u>\$130,364</u>	<u>\$2,253,985</u>
<u>LIABILITIES</u>			
Accounts Payable	\$153,796	\$20,967	\$174,763
State Aid Anticipation Note Payable	1,000,000	0	1,000,000
Due to Other Funds	0	17,632	17,632
Accrued Expenses	127	0	127
Salaries Payable	439,088	0	439,088
Total Liabilities	\$1,593,011	\$38,599	\$1,631,610
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	24,122	2,492	26,614
Debt Retirement	0	63,761	63,761
Unreserved:			
Undesignated, Reported In:			
General Fund	506,488	0	506,488
School Service Funds	0	25,512	25,512
Total Fund Balances	\$530,610	\$91,765	\$622,375
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,123,621</u>	<u>\$130,364</u>	<u>\$2,253,985</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006

Total Governmental Fund Balances:		\$622,375
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,477,794 and the accumulated depreciation is \$6,648,241		8,829,553
Accrued Interest on Long-Term Deb		(56,005)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$7,483,436	
Contracts Payable	69,904	
MI School Bond Loan	3,076,731	
Retirement Incentive	641,000	
Sick Days Payable	52,544	
Total Long-Term Liabilities		<u>(11,323,615)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$1,927,692)</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$392,234	\$621,186	\$1,013,420
State Sources	6,677,090	27,303	6,704,393
Federal Sources	464,305	233,905	698,210
Total Revenues	<u>\$7,533,629</u>	<u>\$882,394</u>	<u>\$8,416,023</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	5,264,446	0	5,264,446
Student Services	332,494	0	332,494
Instructional Support	188,042	0	188,042
General Administration	329,914	0	329,914
School Administration	551,986	0	551,986
Business Administration	35,335	0	35,335
Operation & Maintenance of Plant	685,001	0	685,001
Transportation	185,032	0	185,032
Support Services - Other	70,870	0	70,870
Community Services	37,990	0	37,990
Food Service	0	551,537	551,537
Debt Service	0	609,157	609,157
Total Expenditures	<u>\$7,681,110</u>	<u>\$1,160,694</u>	<u>\$8,841,804</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$147,481)	(\$278,300)	(\$425,781)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(180,750)	180,750	0
Other Transfers	54,451	122,260	176,711
Total Other Financing Sources (Uses)	<u>(\$126,299)</u>	<u>\$303,010</u>	<u>\$176,711</u>
Net Change in Fund Balance	(\$273,780)	\$24,710	(\$249,070)
<u>FUND BALANCE - BEGINNING</u>	<u>804,390</u>	<u>67,055</u>	<u>871,445</u>
<u>FUND BALANCE - ENDING</u>	<u>\$530,610</u>	<u>\$91,765</u>	<u>\$622,375</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total net change in fund balances - governmental funds	(\$249,070)
--	-------------

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(308,476)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	282,417
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Loan Proceeds from the Michigan School Bond Loan Fund	(122,260)
---	-----------

Accrued Interest Michigan School Bond Loan Fund	(198,301)
---	-----------

Change in accrued interest on long-term liabilities	1,506
---	-------

(Increase) in Retirement Incentive	(641,000)
------------------------------------	-----------

Decrease in accrued compensated absences	<u>15,041</u>
--	---------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>(\$1,220,143)</u>
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GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2006

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$133,411</u>
<u>TOTAL ASSETS</u>	<u>\$133,411</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$133,411</u>
<u>TOTAL LIABILITIES</u>	<u>\$133,411</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$383,260	\$380,648	\$392,234	\$11,586
State Sources	6,624,639	6,678,305	6,677,090	(1,215)
Federal Sources	476,614	463,218	464,305	1,087
Total Revenues	\$7,484,513	\$7,522,171	\$7,533,629	\$11,458
<u>EXPENDITURES</u>				
Current:				
Instruction	5,356,162	5,273,330	5,264,446	8,884
Student Services	304,525	333,242	332,494	748
Instructional Support	189,038	189,369	188,042	1,327
General Administration	340,539	337,857	329,914	7,943
School Administration	548,112	552,813	551,986	827
Business Administration	69,000	37,572	35,335	2,237
Operation & Maintenance of Plant	662,555	708,089	685,001	23,088
Transportation	199,584	185,928	185,032	896
Support Services - Other	83,359	69,053	70,870	(1,817)
Community Services	22,436	32,340	37,990	(5,650)
Total Expenditures	\$7,775,310	\$7,719,593	\$7,681,110	\$38,483
Excess of Revenues Over Expenditures	(\$290,797)	(\$197,422)	(\$147,481)	\$49,941
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(134,174)	(125,433)	(126,299)	(866)
	(\$424,971)	(\$322,855)	(\$273,780)	\$49,075
<u>FUND BALANCE - BEGINNING</u>			804,390	
<u>FUND BALANCE - ENDING</u>			\$530,610	

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Genesee School District #6 conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had no investments.

Interest rate risk. The risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Concentration of credit risk. The risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District did not have any investments as of June 30, 2006.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,186,006 of the District's bank balance of \$1,349,767 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk. The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$133,411	\$ 1,135,942
Investments	<u>0</u>
<u>TOTAL</u>	<u>\$ 1,135,942</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 133,411
Cash – District Wide	1,002,531
Investments – District Wide	<u>0</u>
<u>TOTAL</u>	<u>\$ 1,135,942</u>

As of June 30, 2006, the District has not adopted an investment policy in accordance with GASB 40.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	<u>\$ 1,207,207</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006 the School District had estimated claims payable of \$4,344 in conjunction with the program.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 2.95% per annum on September 1, 2005, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2006 was \$1,000,000. The note matures August 31, 2006.

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
State Aid Note	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$12,929,734	\$0	\$0	\$12,929,734
Land Improvements	1,723,403	0	0	1,723,403
Equipment and Furniture	323,528	0	0	323,528
Vehicles	501,129	0	0	501,129
Totals at Historical Cost	<u>\$15,477,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,477,794</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(4,670,879)	(191,119)	0	(4,861,998)
Land Improvements	(1,043,843)	(61,680)	0	(1,105,523)
Equipment and Furniture	(249,142)	(34,246)	0	(283,388)
Vehicles	(375,901)	(21,431)	0	(397,332)
Total Accumulated Depreciation	<u>(\$6,339,765)</u>	<u>(\$308,476)</u>	<u>\$0</u>	<u>(\$6,648,241)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$9,138,029</u>	<u>(\$308,476)</u>	<u>\$0</u>	<u>\$8,829,553</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 6,254
Support Services	49,001
Food Service	422
Athletics	9,881
Unallocated	<u>242,918</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 308,476</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2006 were \$57,466 and the School District received a dividend refund of \$5,914.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

11) OPERATING LEASES

Rental Income

The District currently leases property to Verizon for a cellular tower. The monthly rental rate is \$900. The lease expires in December, 2006. The future minimum rental payments to be received is as follows:

2007	\$ 5,400
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Rental Expense

During December, 2005, the District entered into a copier lease. The lease requires monthly payments of \$4,355 and is for 60 months. The future minimum payments are as follows:

2007	\$ 52,270
2008	52,270
2009	52,270
2010	52,270
2011	26,135

<u>TOTAL</u>	<u>\$ 235,215</u>
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12) GENERAL LONG-TERM DEBT

A) 2000 School Building and Site and Refunding Bonds

On March 1, 2000, the District issued \$7,015,000.00 in general obligation bonds with coupon interest rates of 4.50% to 6.00%.

On October 24, 2001, the District issued 2001 Refunding Bonds and advanced refunded \$5,295,000.00 of these bonds. The balance at June 30, 2006 was \$560,000.

B) 2001 Refunding Bonds

On October 24, 2001, Genesee School District #6 issued \$5,805,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.30% to 5.00%. The outstanding principal of the bonds is \$5,705,000 at June 30, 2006.

C) 2004 Refunding Bonds

On March 25, 2004, Genesee School District #6 issued \$1,370,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 3.80%. The District issued the bonds to advance refund the outstanding 1993 Bond Issue with a interest rate ranging from 4.10% to 5.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1993 Bond Issue. As a result, the 1993 Bond Issue is considered defeased and the District has removed the liability from its accounts. The outstanding principal of the bonds is \$1,150,000 at June 30, 2006.

D) General Obligation Bonds Payable

Genesee School District #6 has issued general obligation bonds for the purpose of defraying the cost of various additions and improvements as follows:

<u>DATE ISSUED</u>	<u>ISSUE AMOUNT</u>	<u>BONDS OUTSTANDING</u>	<u>INTEREST RATE</u>
March 1, 2000	\$ 7,015,000	\$ 560,000	4.75% to 5.30%
October 24, 2001	5,805,000	5,705,000	2.30% to 5.00%
March 25, 2004	1,370,000	1,150,000	2.00% to 3.80%

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

12) GENERAL LONG-TERM DEBT (Continued)

E) Durant Resolution Package Bonds

Genesee School District #6 issued Durant Resolution Bonds on November 24, 1998 in the amount of \$115,903.00 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$68,437.

F) Contracts & Notes Payable

Genesee School District #6 is indebted to Bank One on a bus note payable in the amount of \$133,228.00. The note require annual principal payments of \$24,879.07 including interest at 3.3494% per annum and matures April 15, 2009. The balance as of June 30, 2006 was \$69,904.

G) Retirement Incentive

On June 30, 2004 eight teachers agreed to a retirement incentive plan and one teacher to a buy-out agreement. The retirement incentive plan consisted of three options, including cash payouts of various amounts and options to purchase MPSEERS service credits. As of June 30, 2006, the buy-out agreement and has a balance payable of \$25,000. The retirement incentive plan is paid in full as of June 30, 2006.

During the 2005-2006 school year, eleven teachers agreed to a retirement incentive plan. This plan will pay six installments of \$1,000 beginning September 1, 2006 and continue on each February 1st and September 1st until paid and ten installments of \$5,000 beginning September 1, 2006 and continue on each February 1st and September 1st until paid. The balance at June 30, 2006 is \$616,000.

H) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2006 was \$3,076,731.

I) The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	Bus Note & Contracts Payable	Bonds Payable	Retirement Incentive	Michigan School Bond Loan Fund	Interest	Total
June 30, 2007	\$22,538	\$265,876	\$157,000	\$0	\$340,636	\$786,050
June 30, 2008	23,293	287,090	132,000	0	339,292	781,675
June 30, 2009	24,073	281,450	132,000	0	318,699	756,222
June 30, 2010	0	286,757	110,000	0	306,350	703,107
June 30, 2011	0	297,079	110,000	0	294,322	701,401
June 30, 2012-2016	0	1,620,185	0	0	1,295,168	2,915,353
June 30, 2017-2021	0	1,460,000	0	0	953,466	2,413,466
June 30, 2022-2026	0	1,725,000	0	0	582,250	2,307,250
June 30, 2027-2029	0	1,260,000	0	0	128,000	1,388,000
Thereafter	0	0	0	3,076,731	0	3,076,731
<u>TOTAL</u>	<u>\$69,904</u>	<u>\$7,483,437</u>	<u>\$641,000</u>	<u>\$3,076,731</u>	<u>\$4,558,183</u>	<u>\$15,829,255</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

12) GENERAL LONG-TERM DEBT (Continued)

I) (Continued)

The payment dates of sick days payable are undeterminable. There is no scheduled repayment dates for the Michigan School Bond Loan Payable. The interest expenditures on long-term obligations for the year were \$350,668.

J) Changes in General Long-Term Debt

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due in One Year
<u>Governmental Activities:</u>					
Bus Note & Contracts Payable	\$91,711	\$0	\$21,807	\$69,904	\$22,538
Bonds Payable	7,744,046	0	260,610	7,483,436	265,876
MI School Bond Loan Fund	2,756,170	320,561	0	3,076,731	0
Retirement Incentive	0	741,000	100,000	641,000	157,000
Vacation & Sick Days Payable	67,585	0	15,041	52,544	0
<u>Total Governmental Activities</u>	<u>\$10,659,512</u>	<u>\$1,061,561</u>	<u>\$397,458</u>	<u>\$11,323,615</u>	<u>\$445,414</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE FROM	
DUE TO	General Fund
	Special Revenue
	<u>\$17,632</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
	Athletics Fund
	Food Service
	<u>\$180,000</u>
	<u>750</u>
<u>TOTAL</u>	<u>\$180,750</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$784,569, \$666,213 and \$638,575, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Nutrition Cluster and the Special Education Cluster grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District approved borrowing of \$1,250,000 at 3.92% per annum from Davison State Bank on a State Aid Anticipation Note. The short-term note proceeds will be used to meet cash flow needs for the 2006-2007 year.

OTHER SUPPLEMENTAL
INFORMATION

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	School Service Funds	Debt Service Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$64,111	\$63,761	\$127,872
Inventory	2,492	0	2,492
<u>TOTAL ASSETS</u>	<u>\$66,603</u>	<u>\$63,761</u>	<u>\$130,364</u>
<u>LIABILITIES</u>			
Accounts Payable	\$20,967	\$0	\$20,967
Due to Other Funds	17,632	0	17,632
Total Liabilities	\$38,599	\$0	\$38,599
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	2,492	0	2,492
Debt Retirement	0	63,761	63,761
Unreserved:			
Undesignated, Reported In:			
School Service Fund	25,512	0	25,512
Total Fund Balances	\$28,004	\$63,761	\$91,765
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$66,603</u>	<u>\$63,761</u>	<u>\$130,364</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	School Service Funds	Debt Service Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$132,789	\$488,397	\$621,186
State Sources	19,164	8,139	27,303
Federal Sources	233,905	0	233,905
Total Revenues	\$385,858	\$496,536	\$882,394
<u>OTHER FINANCING SOURCES (USES)</u>	180,750	122,260	303,010
Total Revenues & Other Financing Sources	\$566,608	\$618,796	\$1,185,404
<u>EXPENDITURES</u>			
Food Service	551,537	0	551,537
Debt Service	0	609,157	609,157
Total Expenditures	\$551,537	\$609,157	\$1,160,694
Net Change in Fund Balance	\$15,071	\$9,639	\$24,710
<u>NET ASSETS - BEGINNING</u>	12,933	54,122	67,055
<u>NET ASSETS - ENDING</u>	\$28,004	\$63,761	\$91,765

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$64,111	\$0	\$64,111
Inventory	<u>2,492</u>	<u>0</u>	<u>2,492</u>
<u>TOTAL ASSETS</u>	<u>\$66,603</u>	<u>\$0</u>	<u>\$66,603</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$20,967	\$20,967
Due from Other Funds	<u>15,095</u>	<u>2,537</u>	<u>17,632</u>
Total Liabilities	<u>\$15,095</u>	<u>\$23,504</u>	<u>\$38,599</u>
<u>FUND EQUITY</u>			
Reserved for Inventory	2,492	0	2,492
Unreserved and Undesignated	<u>49,016</u>	<u>(23,504)</u>	<u>25,512</u>
Total Fund Equity	<u>\$51,508</u>	<u>(\$23,504)</u>	<u>\$28,004</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$66,603</u>	<u>\$0</u>	<u>\$66,603</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$70,114	\$0	\$70,114
Athletic Activities	0	32,212	32,212
Earnings on Investments and Deposits	185	0	185
Other Local Sources	0	30,278	30,278
Total Local Sources	<u>\$70,299</u>	<u>\$62,490</u>	<u>\$132,789</u>
<u>State Sources</u>			
State Reimbursements	19,164	0	19,164
<u>Federal Sources</u>			
Headstart	14,962	0	14,962
Federal Reimbursements	208,147	0	208,147
Commodities	10,796	0	10,796
Total Federal Sources	<u>\$233,905</u>	<u>\$0</u>	<u>\$233,905</u>
Total Revenues	<u>\$323,368</u>	<u>\$62,490</u>	<u>\$385,858</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	750	180,000	180,750
Total Revenues and Other Financing Sources	<u>\$324,118</u>	<u>\$242,490</u>	<u>\$566,608</u>
<u>EXPENDITURES</u>			
Salaries - Professional	31,770	26,334	58,104
Salaries - Non-Professional	93,930	81,079	175,009
Insurances	11,806	8,683	20,489
Fica, Retirement, Etc.	29,873	25,331	55,204
Other Benefits	1,557	0	1,557
Purchased Services	6,635	46,942	53,577
Supplies and Materials	135,672	35,598	171,270
Other	3,813	12,514	16,327
Total Expenditures	<u>\$315,056</u>	<u>\$236,481</u>	<u>\$551,537</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>\$9,062</u>	<u>\$6,009</u>	<u>\$15,071</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$42,446</u>	<u>(\$29,513)</u>	<u>\$12,933</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$51,508</u>	<u>(\$23,504)</u>	<u>\$28,004</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>BOND ISSUE DATE</u>		<u>TOTALS</u>
	<u>1993 & 2004</u>	<u>2000 & 2001</u>	
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$28,327</u>	<u>\$35,434</u>	<u>\$63,761</u>
<u>FUND EQUITY</u>			
Reserved for Debt Retirement	<u>\$28,327</u>	<u>\$35,434</u>	<u>\$63,761</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BOND ISSUE DATE</u>			<u>TOTAL AFTER INTRA-FUND ELIMINATIONS</u>
	<u>1993 & 2004</u>	<u>2000 & 2001</u>	<u>1998 Durant</u>	
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Tax Levy	\$140,371	\$343,500	\$0	\$483,871
Earnings on Investments and Deposits	1,607	2,919	0	4,526
Other Local Sources	0	0	0	0
Total Local Sources	\$141,978	\$346,419	\$0	\$488,397
<u>State Sources</u>	0	0	8,139	8,139
Total Revenues	\$141,978	\$346,419	\$8,139	\$496,536
<u>OTHER FINANCING SOURCES</u>				
School Bond Loan Proceeds	0	122,260	0	122,260
Total Revenues and Other Financing Sources	\$141,978	\$468,679	\$8,139	\$618,796
<u>EXPENDITURES</u>				
Redemption of Bonds	110,000	145,000	5,610	260,610
Interest on Bonded Debt	36,810	308,258	2,529	347,597
Other Debt Retirement Expense	200	750	0	950
Total Expenditures	\$147,010	\$454,008	\$8,139	\$609,157
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>(\$5,032)</u>	<u>\$14,671</u>	<u>\$0</u>	<u>\$9,639</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$33,359</u>	<u>\$20,763</u>	<u>\$0</u>	<u>\$54,122</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$28,327</u>	<u>\$35,434</u>	<u>\$0</u>	<u>\$63,761</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

<u>Local Sources</u>	
Property Tax Levy	\$282,488
Earnings on Investments and Deposits	30,601
Tuition	9,040
Medicaid	16,212
SKIP Program	2,163
Other Local Revenues	51,730
Total Revenues from Local Sources	<u>\$392,234</u>
<u>State Sources</u>	
Unrestricted State Aid - Membership	6,104,594
Restricted	
At Risk	275,236
Durant	11,590
Special Education	183,688
Michigan School Readiness	59,400
Career Prep	42,582
Total Revenues from State Sources	<u>\$6,677,090</u>
<u>Federal Sources</u>	
Title I	163,494
Title V	3,917
Improving Teacher Quality	50,158
Headstart	12,000
IDEA Flowthrough	217,923
Preschool Incentive	2,980
Transition Grant	914
Homeland Security	2,668
Tech Literacy Grant	5,641
Medicaid	4,610
Total Revenues from Federal Sources	<u>\$464,305</u>
Total Revenues	<u>\$7,533,629</u>
<u>OTHER FINANCING SOURCES</u>	
Act 18 Receipts	64,849
Other Transfers	11,409
Total Other Financing Sources	<u>\$76,258</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u><u>\$7,609,887</u></u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,152,728
Salaries - Non-Professional	83,110
Insurances	280,428
Fica, Retirement, Etc.	297,575
Other Benefits	49,380
Purchased Services	27,123
Supplies and Materials	31,964
Other	2,006
Total Elementary	<u>\$1,924,314</u>

High School

Salaries - Professional	1,231,594
Salaries - Non-Professional	51,230
Insurances	269,637
Fica, Retirement, Etc.	308,908
Other Benefits	67,100
Purchased Services	74,833
Supplies and Materials	42,060
Other	1,490
Total High School	<u>\$2,046,852</u>

Preschool

Salaries - Professional	34,593
Salaries - Non-Professional	6,761
Insurances	8,022
Fica, Retirement, Etc.	9,921
Purchased Services	500
Supplies and Materials	1,956
Total Preschool	<u>\$61,753</u>

Total Basic Programs

\$4,032,919

ADDED NEEDSSpecial Education

Salaries - Professional	394,907
Salaries - Non-Professional	155,622
Insurances	97,678
Fica, Retirement, Etc.	132,313
Other Benefits	16,050
Purchased Services	9,444
Supplies and Materials	17,288
Other	170
Total Special Education	<u>\$823,472</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)

ADDED NEEDS (Continued)

Compensatory Education

Salaries - Professional	\$135,293
Salaries - Non-Professional	138,755
Insurances	32,367
Fica, Retirement, Etc.	71,493
Other Benefits	12,720
Purchased Services	8,077
Supplies and Materials	9,350
Total Compensatory Education	<u>\$408,055</u>

Total Added Needs	<u>1,231,527</u>
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<u>Total Instruction</u>	<u>\$5,264,446</u>
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SUPPORT SERVICES

Student Services

Salaries - Professional	150,007
Salaries - Non-Professional	10,560
Insurances	42,417
Fica, Retirement, Etc.	37,543
Other Benefits	10,000
Purchased Services	39,499
Supplies and Materials	42,468
Total Student Services	<u>\$332,494</u>

Instructional Staff

Salaries - Professional	101,707
Salaries - Non-Professional	18,526
Insurances	25,479
Fica, Retirement, Etc.	22,565
Purchased Services	7,156
Supplies and Materials	12,259
Other	350
Total Instructional Staff	<u>\$188,042</u>

General Administration

Salaries - Professional	120,944
Salaries - Non-Professional	74,844
Insurances	31,767
Fica, Retirement, Etc.	43,232
Other Benefits	2,335
Purchased Services	42,216
Supplies and Materials	3,788
Other	10,788
Total General Administration	<u>\$329,914</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)

School Administration

Salaries - Professional	\$237,504
Salaries - Non-Professional	117,770
Insurances	94,730
Fica, Retirement, Etc.	81,546
Purchased Services	9,681
Supplies and Materials	9,344
Other	1,411
Total School Administration	<u>\$551,986</u>

Business Administration

Purchased Services	4,480
Other	30,855
Total Business Administration	<u>\$35,335</u>

Operation and Maintenance of Plant

Salaries - Non-Professional	191,576
Insurances	97,025
Fica, Retirement, Etc.	48,812
Other Benefits	340
Purchased Services	187,611
Supplies and Materials	159,637
Total Operation and Maintenance of Plant	<u>\$685,001</u>

Pupil Transportation

Salaries - Professional	7,500
Salaries - Non-Professional	84,224
Insurances	11,657
Fica, Retirement, Etc.	23,198
Other Benefits	294
Purchased Services	44,546
Supplies and Materials	13,453
Other	160
Total Pupil Transportation	<u>\$185,032</u>

Other Support Services

Salaries - Professional	1,248
Salaries - Non-Professional	33,286
Insurances	13,531
Fica, Retirement, Etc.	8,312
Supplies and Materials	147
Capital Outlay	14,346
Total Other Support Services	<u>\$70,870</u>

Total Support Services \$2,378,674

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

COMMUNITY SERVICES

Salaries - Professional	\$5,959
Salaries - Non-Professional	16,438
Fica, Retirement, Etc.	4,825
Supplies and Materials	9,698
Other	1,070
Total Community Services	<u>\$37,990</u>

<u>Total Expenditures</u>	\$7,681,110
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OTHER FINANCING USES

Transfers to Other Funds	180,750
Loan Payments	21,807
Total Other Financing Uses	<u>\$202,557</u>

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$7,883,667

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	Due to (From) Student Groups 7-1-05	Receipts	Disbursements	Due to (From) Student Groups 6-30-06
Alumni Fund	\$83	\$0	\$0	\$83
Athletic Leadership Account	558	247	480	325
Band	1,423	6,272	7,169	526
Dorothy Baker Scholarship	3,042	1,265	1,000	3,307
Business Office Education Club (B.P.A.)	344	0	0	344
Cheerleaders	806	2,751	3,540	17
Chorus Account	482	1,853	1,522	813
Class of 2005	1,121	58	1,179	0
Class of 2006	1,237	1,807	2,403	641
Class of 2007	1,385	8,286	9,525	146
Class of 2008	1,308	2,418	650	3,076
Class of 2009	240	5,533	5,035	738
Class of 2010	249	207	0	456
Class of 2011	0	168	18	150
Chris Amanda Cuneaz Scholarship	67,774	5,553	5,000	68,327
Drama Club	2,177	6,740	6,713	2,204
Field Trip - Elem	746	10,721	10,486	981
Flower Fund	2,030	1,482	566	2,946
Genesee Lions/ess Club	1,040	1,000	1,000	1,040
Honor Society	308	3,529	3,451	386
Jack P. Haas Scholarship	19,544	364	1,500	18,408
Thomas Huggler Scholarship	3,122	3,667	1,500	5,289
Journalism Account	369	254	451	172
Library Fund - Elementary	3,115	7,064	6,956	3,223
Miscellaneous	1,618	5,558	6,140	1,036
POM Club	1,662	6,697	6,785	1,574
Marjorie Reid Scholarship	1,111	25	500	636
S.A.D.D.	435	1,230	831	834
School Store	6	0	0	6
Soft Drink Machine	6,912	423	0	7,335
Sophomore/Jr. Trip Fund	196	9,216	6,378	3,034
Spanish Club	398	512	429	481
Student Council	257	15,097	14,430	924
Summer Recreation	(43)	2,372	1,160	1,169
Track Fund	1,289	5,781	6,070	1,000
Washington Trip Fund	1,352	2,835	2,820	1,367
Yearbook 04-05	1,670	3,153	4,929	(106)
Yearbook 05-06	0	9,039	8,516	523
<u>TOTAL</u>	<u>\$129,366</u>	<u>\$133,177</u>	<u>\$129,132</u>	<u>\$133,411</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

1998 DURANT				
<u>Payment Date</u>	<u>Interest Requirement</u>	<u>Rate</u>	<u>Principal Requirement</u>	<u>Total Requirement</u>
2006-2007	\$2,262	4.761353%	\$5,876	\$8,138
2007-2008	11,319	4.761353%	27,090	38,409
2008-2009	1,689	4.761353%	6,450	8,139
2009-2010	1,382	4.761353%	6,757	8,139
2010-2011	1,060	4.761353%	7,079	8,139
2011-2012	723	4.761353%	7,416	8,139
2012-2013	370	4.761353%	7,769	8,139
<u>TOTALS</u>	<u>\$18,805</u>		<u>\$68,437</u>	<u>\$87,242</u>

2000 SCHOOL BUILDING & SITE BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2006-2007	\$130,000	5.15%	\$14,639	\$14,639	\$159,278
2007-2008	135,000	5.20%	11,291	11,291	157,582
2008-2009	145,000	5.25%	7,781	7,781	160,562
2009-2010	150,000	5.30%	3,975	3,975	157,950
<u>TOTALS</u>	<u>\$560,000</u>		<u>\$37,686</u>	<u>\$37,686</u>	<u>\$635,372</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

2001 REFUNDING BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2006-2007	\$25,000	3.40%	\$136,072	\$136,073	\$297,145
2007-2008	25,000	3.65%	135,648	135,647	296,295
2008-2009	30,000	3.75%	135,191	135,191	300,382
2009-2010	30,000	3.85%	134,629	134,629	299,258
2010-2011	190,000	3.95%	134,051	134,051	458,102
2011-2012	200,000	4.05%	130,299	130,299	460,598
2012-2013	205,000	4.20%	126,249	126,248	457,497
2013-2014	210,000	4.35%	121,944	121,944	453,888
2014-2015	220,000	4.45%	117,376	117,376	454,752
2015-2016	235,000	4.55%	112,481	112,481	459,962
2016-2017	245,000	4.65%	107,135	107,135	459,270
2017-2018	255,000	4.75%	101,439	101,439	457,878
2018-2019	270,000	4.85%	95,383	95,382	460,765
2019-2020	285,000	4.90%	88,835	88,835	462,670
2020-2021	295,000	4.90%	81,852	81,853	458,705
2021-2022	310,000	5.00%	74,625	74,625	459,250
2022-2023	330,000	5.00%	66,875	66,875	463,750
2023-2024	345,000	5.00%	58,625	58,625	462,250
2024-2025	360,000	5.00%	50,000	50,000	460,000
2025-2026	380,000	5.00%	41,000	41,000	462,000
2026-2027	400,000	5.00%	31,500	31,500	463,000
2027-2028	420,000	5.00%	21,500	21,500	463,000
2028-2029	440,000	5.00%	11,000	11,000	462,000
<u>TOTALS</u>	<u>\$5,705,000</u>		<u>\$2,113,709</u>	<u>\$2,113,708</u>	<u>\$9,932,417</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

2004 REFUNDING BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2006-2007	\$105,000	2.00%	\$17,305	\$17,305	\$139,610
2007-2008	100,000	2.25%	16,255	16,255	132,510
2008-2009	100,000	2.50%	15,130	15,130	130,260
2009-2010	100,000	2.60%	13,880	13,880	127,760
2010-2011	100,000	2.80%	12,580	12,580	125,160
2011-2012	110,000	3.00%	11,180	11,180	132,360
2012-2013	110,000	3.25%	9,530	9,530	129,060
2013-2014	100,000	3.45%	7,743	7,743	115,486
2014-2015	100,000	3.60%	6,018	6,018	112,036
2015-2016	115,000	3.70%	4,218	4,218	123,436
2016-2017	110,000	3.80%	2,089	2,089	114,178
<u>TOTALS</u>	<u>\$1,150,000</u>		<u>\$115,928</u>	<u>\$115,928</u>	<u>\$1,381,856</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 9, 2006

To the Board of Education of
Genesee School District Number 6

In planning and performing our audit of the financial statements of Genesee School District Number 6 for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Genesee School District Number 6's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Genesee School District Number 6 incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.



Genesee School District Number 6

Page 2

August 9, 2006

FUTURE ISSUES (Continued)

- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.

2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Genesee School District Number 6, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.



Genesee School District Number 6

Page 3

August 9, 2006

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Genesee School District Number 6's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS